



# Housing Authority of the City of Alameda

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To: Honorable Chair and  
Members of the Board of Commissioners

From: Lisa Goldman  
Acting Chief Executive Officer

Date: April 5, 2011

Re: Authorize the Acting Chief Executive Officer to Execute a Letter of Intent with Dr. Bill Longwell for Acquisition of the Property at 1435 Webster Street and Development of a Mixed-Use Project, Including 15 Units of Housing Affordable to Low-Income Seniors

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## BACKGROUND

On July 27, 2010, the City Council received a presentation on the Webster Street Vision Plan (Vision Plan) prepared by Urban Design Associates. One of the profiled Webster Street sites is the lot at Taylor and Webster Streets. This lot, located at 1435 Webster Street, is a 14,745 square foot (0.34 acre) property currently being used as a private surface parking lot. For many years, the City leased the property and operated it as a public parking lot. The City elected not to renew the lease in 2009, and the property has been listed for sale for several years. The Vision Plan calls for the property to be developed as a mixed-use project with ground floor commercial uses and two stories of residential units above the ground floor. Exhibit 1 is the Taylor and Webster rendering from the Vision Plan. The property is also included in the *Affordable Housing Development Pipeline* presented to the City Council in October 2010.

Prior to the Vision Plan presentation, in May 2010, Dr. Bill Longwell, a local real estate developer, approached the Housing Authority of the City of Alameda about jointly acquiring and developing the property. His analysis of the property concluded that a residential component was required for a financially feasible project. The property is zoned Community-Commercial (C-C). Residential development is permitted in a C-C zone as long as the ground floor use is commercial. Dr. Longwell proposed to secure a commercial tenant and retain long-term ownership of the commercial portion of the building and requested that the Housing Authority consider a partnership in which it would develop and own the residential portion of the project. Based on ongoing discussions with Dr. Longwell, staff has prepared the attached Letter of Intent (LOI) to acquire and develop the property as a mixed-use project (Exhibit 2) for Housing Authority Board of Commissioners<sup>1</sup>(BOC) consideration.

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## DISCUSSION

In response to Dr. Longwell's request that the Housing Authority partner with him on the development of the property, staff undertook a feasibility analysis. It was determined that the property could be developed with 7,500 square feet of ground floor commercial uses and 15 one-bedroom units on two floors above the commercial space. The residential portion is proposed as housing affordable to low-income seniors. The Housing Authority would commit to providing up to 15 Project-Based Section 8 Vouchers. The total housing portion of the project cost is estimated at \$5.15 million. Based on the July 2010 feasibility analysis, the local match would be \$1.75 million of this total amount, or \$117,000 per unit. The local contribution is 34 percent of the total estimated residential cost.

Once feasibility was analyzed, further research was conducted on the property. The property once housed a gas station. As a result, petroleum hydrocarbons and gasoline-related materials were released into the environment on the site. The former gas station owner, Olympian, is responsible for the clean up, and the property is part of the State's Underground Storage Tank program. The property is not yet fully remediated and is an active project with the County of Alameda Health Department. The current owner acknowledges that sale of the property is tied to property clean up, issuance of a No Further Action letter from the regulatory agency, and a determination that the site is suitable for residential use. The parties, however, are interested in negotiating an Option Agreement with the owner at the same time that clean up activities are pursued. To facilitate discussions regarding an Option Agreement, it is proposed that Dr. Longwell and the Housing Authority enter into a LOI spelling out each party's role and responsibilities.

Key terms in the LOI include:

- The LOI is non-binding.
- An Option Agreement will be negotiated with the current owner to facilitate the property acquisition and entitlement of the proposed mixed-use project consistent with the terms of the LOI.
- Dr. Longwell and the Housing Authority will jointly purchase the property following: a) resolution of the environmental clean up with a determination that residential uses will be permitted, b) documentation that Dr. Longwell has secured a commercial tenant(s), and c) all necessary financing has been obtained for the commercial and residential portions of the project.
- Predevelopment costs will be shared on a pro rata basis based on the project pro forma. It is currently estimated that 61 percent of the predevelopment costs are to be borne by the Housing Authority, and 39 percent of the predevelopment costs are to be paid by Dr. Longwell.

- The Housing Authority will serve as the developer and secure a non-profit development partner as required for tax credit financing.
- Both parties shall diligently pursue project financing. Dr. Longwell is required to provide an equity contribution of approximately \$500,000.
- The Housing Authority shall provide up to 15 Project-Based Section 8 Vouchers.
- Project ownership will be structured so that Dr. Longwell and the Housing Authority separately own the commercial and residential portions of the project respectively.

Approval of the LOI will allow the Housing Authority to continue to explore the feasibility of developing, in partnership with Dr. Longwell, a mixed-use project on Webster Street that is consistent with the Vision Plan and provides 15 units of much needed housing affordable to low-income seniors. In addition, the project will redevelop a vacant, contaminated parcel, provide a catalyst to additional redevelopment along Webster Street, and offer new and/or expanded commercial services for the neighborhood.

#### FINANCIAL IMPACT

The funds for the predevelopment activities to be undertaken pursuant to the LOI are budgeted in the Community Improvement Commission of the City of Alameda's affordable housing account for contractual services (Fund 204-7024-61060). There is no financial impact on the City's General Fund or the Housing Authority budget.

#### RECOMMENDATION

Authorize the Acting Chief Executive Officer to execute a Letter of Intent with Dr. Bill Longwell for acquisition of the property at 1435 Webster Street and development of a mixed-use project, including 15 units of housing affordable to low-income seniors.

Respectfully submitted,



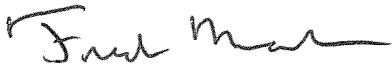
Michael T. Pucci  
Executive Director

By:



Debbie Potter  
Housing Development and Programs Manager

Approved as to funds and account,

A handwritten signature in black ink, appearing to read "Fred Marsh". The signature is written in a cursive, flowing style.

Fred Marsh  
Controller

Exhibits:

1. Taylor and Webster Rendering – Webster Street Vision Plan
2. Letter of Intent

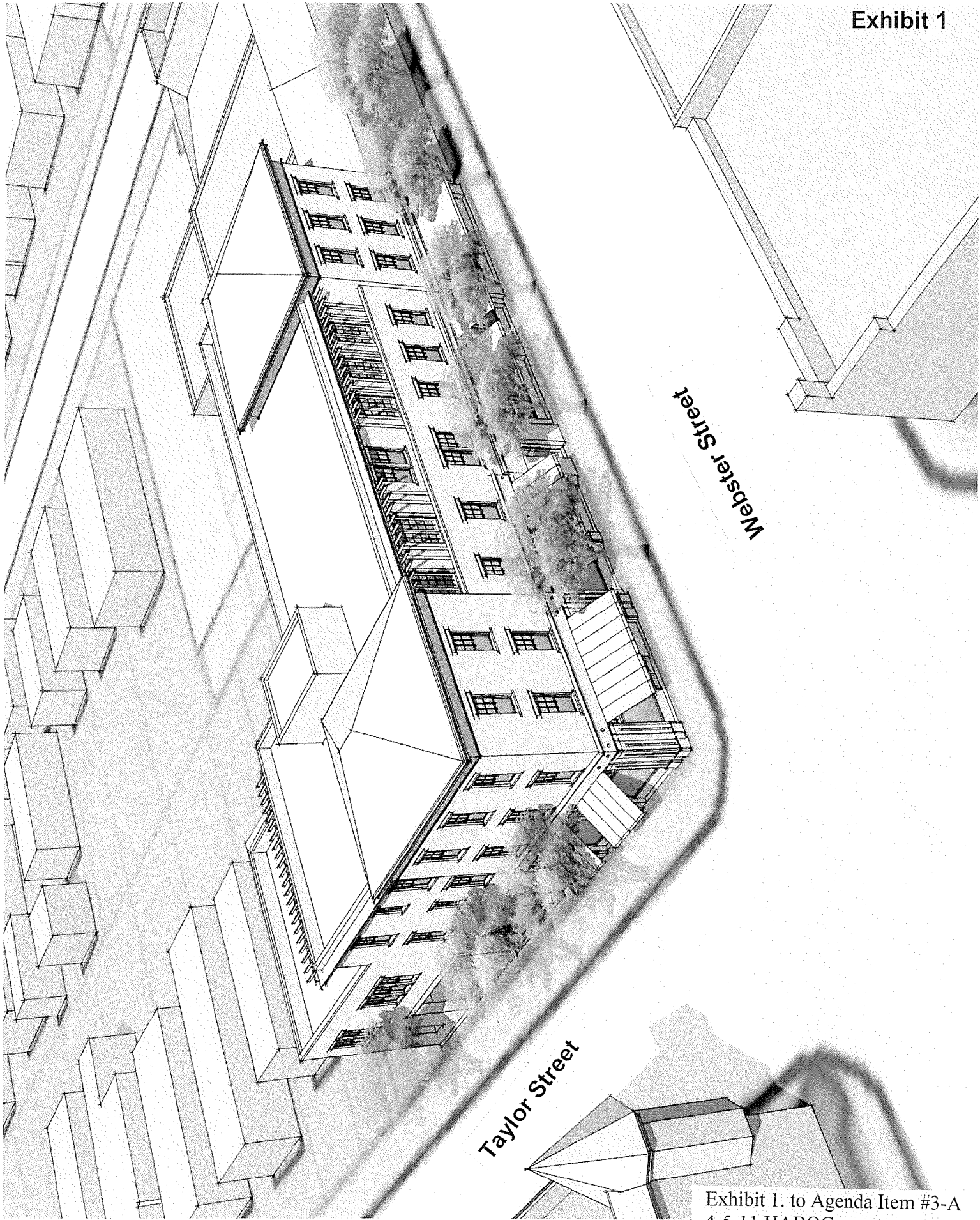


Exhibit 1. to Agenda Item #3-A  
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March 29, 2011

Dr. Bill Longwell

34 Purcell Dr.  
Alameda, CA 94502

Re: Letter of Intent/1435 Webster Street, Alameda

Dear Dr. Longwell:

The purpose of this letter ("**Letter**") is to summarize (i) the terms of a proposal under which Dr. Bill Longwell and the Housing Authority of the City of Alameda ("**Housing Authority**") (individually a "**Party**" and collectively the "**Parties**") would acquire certain real property commonly known as 1435 Webster Street, Alameda, California (the "**Property**") for development of a mixed-use project consisting of approximately 7,500 square feet of ground floor commercial space ("**Commercial Project**"), fifteen (15) one-bedroom units of low-income senior housing on two (2) floors ("**Housing Project**"), with approximately seventeen (17) parking spaces (collectively, the "**Project**").

The Parties acknowledge that the City of Alameda (the "**City**") received a letter dated July 29, 2010 from Mr. Geoffrey Farrar, as a property owner representative, updating the City on the environmental status of the property. According to the letter, (a) the Property was previously the site of a gas station, (b) petroleum hydrocarbons and gasoline-related materials were released on the site, (c) the Property is part of the State Water Resources Control Board, Underground Storage Tank Program and is an open and active case with the Alameda County Environmental Health Department, and (d) the Property does not have an approved work plan and remediation has not yet taken place.

Pending resolution of the environmental clean up of the Property by the current owner(s) and a determination that residential uses will be permitted at the Property, the Parties have identified the following activities that are necessary to acquire and redevelop the Property. The Parties intend to negotiate in good faith such further documentation and approvals as are required for the proposed transaction that are consistent with this Letter, including the preparation and approval of formal agreements by and among the Parties and other parties setting forth the terms and conditions of the proposed transaction (the "**Definitive Agreements**"); however, this Letter shall not create any agreement or obligations binding on any Party, and no such agreements or obligations shall arise until the Definitive Agreements are fully executed and delivered. The Parties anticipate that the first Definitive Agreement will be the Option Agreement (as defined below) and until such agreement is executed, each Party shall bear its own costs. Any Party may in good faith terminate negotiations at any time.

1. Acquisition. The Parties shall be responsible for jointly acquiring the Property from the current owner(s), subject to the following conditions precedent:

a. resolution of the environmental clean up of the Property by current owner;

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- b. the Parties determine that residential uses will be permitted at the Property; and
- c. Dr. Longwell secures a commercial tenant(s) for the Commercial Project.
- d. All necessary financing for acquisition and development of the Property has been secured.

The Parties anticipate negotiating an option agreement (the "**Option Agreement**") with the current owner(s) of the Property that will permit satisfaction of all conditions precedent set forth herein and procurement of all entitlements for development of the Project on the Property prior to acquisition.

2. Predevelopment Costs. The Parties shall share predevelopment costs, including the costs of the Property appraisal, market study, and architectural and civil engineering services, as required, on a pro rata basis. The Parties acknowledge that the following prorations between the Parties are based on a feasibility analysis previously prepared, however such prorations may change as the Project pro forma is refined: Housing Authority to bear 69% (as refined, the "**Housing Project Share**") and Dr. Longwell to bear 31% (as refined, the "**Commercial Project Share**"). Subject to Dr. Longwell's consent, which shall not be unreasonably withheld, conditioned, or delayed, the Housing Authority shall engage the consultants to provide the foregoing reports, studies and services.

3. Development. The Housing Authority shall serve as the Developer and shall secure a nonprofit development partner ("**Nonprofit Developer**") as required for tax credit financing. In the interests of Project efficiency, the Parties agree that such Nonprofit Developer may be the same as selected for another Housing Authority project(s).

4. Financing.

- a. The Housing Authority, together with its Nonprofit Developer shall diligently and timely pursue financing for the Housing Project.
- b. The Housing Authority shall reserve up to fifteen (15) units for Section 8 project-based vouchers assistance, which will be dedicated to the Project for a fifteen (15) year term, subject to obtaining HUD approval therefor.
- c. Dr. Longwell shall diligently and timely pursue financing for the Commercial Project. Such financing shall include an equity contribution made by Dr. Longwell in approximately the amount of Five Hundred Thousand Dollars (\$500,000).

5. Entitlements.

- a. The Parties shall jointly apply for entitlements for development of the Project by executing such documents and instrument as may be required to perfect the

applications and sharing all costs pro rata in accordance with the Housing Project Share and the Commercial Project Share.

b. The Parties agree that the entitlements shall include a vertical subdivision or a condominium plan which will enable Dr. Longwell and the Housing Authority to separately own the Commercial Project and the Affordable Housing Project, respectively. The Parties shall negotiate in good faith all related documents, such as a Declaration of Covenants, Conditions and Restrictions, and/or reciprocal easement agreements, to address such issues as shared driveway, parking, pedestrian access, shared structure and life-safety improvements, utilities, and related matters.

c. The Parties shall cooperate to acquire or dedicate access and other easements necessary to construct and operate the Project.

This Letter may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Letter. If the duplicate originals are not fully executed and returned by that time, it, and the proposal contained in it, are void and may not be accepted thereafter. It is understood that this is a nonbinding letter of intent that shall create no legally binding obligations of any kind, and that the transactions described herein remain subject to the negotiation and execution of the Definitive Agreements.

#### HOUSING AUTHORITY:

Housing Authority of the City of Alameda,  
a public body corporate and politic

By:

Lisa Goldman  
Acting Chief Executive Officer

Approved as to form

By:

Farimah Faiz  
Assistant General Counsel

Recommended for Approval:

By:

Michael T. Pucci  
Executive Director  
Housing Authority of the City of Alameda

ACCEPTED AND AGREED:

By:

Dr. Bill Longwell